

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

FIRST-CLASS MAIL AND PERIODICALS  
SERVICE STANDARD CHANGES, 2021

Docket No. N2021-1

**NOTICE OF DESIGNATED MATERIALS, AND NOTICE OF FILING OF  
DECLARATION ATTESTING TO THE PROPOSED RECORD MATERIAL, FOR  
UNITED STATES POSTAL SERVICE WITNESS WHITEMAN**  
(June 7, 2021)

Pursuant to the Presiding Officer's Ruling No. N2021-1/11 (May 25, 2021) and N2021-1/16 (June 4, 2021), the United States Postal Service hereby provides this notice of designated materials, and this notice of the filing of a declaration attesting to the proposed record material for Postal Service witness Whiteman. Pursuant to the rulings, attached to this notice are: (i) a declaration of witness Whiteman supporting the authenticity of his testimony and designated responses to interrogatories and Presiding Officer Information Requests, including the library references accompanying his testimony and responses; (ii) the direct testimony of witness Whiteman; (iii) an index of library references sponsored by witness Whiteman; and (iv) the designated responses of witness Whiteman in alphabetical order by party name and by numerical order of request. There are no additional corrections to the attached documents beyond those already filed as errata and incorporated into the attached direct testimony and designated responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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June 7, 2021

**POSTAL REGULATORY COMMISSION  
DOCKET NO. N2021-1  
DECLARATION OF CURTIS WHITEMAN**

I, Curtis Whiteman, Acting Director, Budget, United States Postal Service, hereby declare, under penalty of perjury, that:

The Direct Testimony of Curtis Whiteman on Behalf of the United States Postal Service, USPS-T-2, was prepared by me or under my direction;

I sponsored Library References USPS-LR-N2021-1-4, USPS-LR-N2021-1-11, USPS-LR-N2021-1-25, USPS-LR-N2021-1-NP2, USPS-LR-N2021-1-NP6, and USPS-LR-N2021-1-NP10;

The responses to interrogatories and Presiding Officer Information Requests, which were filed with my authorization and which have been designated for inclusion in the record in this docket, were prepared by me or under my direction; and

If I were to respond to these interrogatories and Presiding Officer Information Requests orally today, the responses would be the same.

*Curtis Whiteman*

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CURTIS WHITEMAN

DATE: June 7, 2021

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

FIRST-CLASS MAIL AND PERIODICALS SERVICE STANDARD  
CHANGES, 2021

Docket No. N2021-1

**DIRECT TESTIMONY OF CURTIS WHITEMAN**  
**ON BEHALF OF THE**  
**UNITED STATES POSTAL SERVICE**  
**(USPS-T-2)**

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## AUTOBIOGRAPHICAL SKETCH

My name is Curtis Whiteman. I am currently serving as the Acting Director, Budget, reporting to the Senior Vice President, Finance and Strategy. I am responsible for developing and allocating expense budgets to fund field operations and monitoring performance against the plan.

I have spent my entire 16-year Postal Service career exclusively in Finance. I served in various staff and management positions, including Manager, Business Planning & Analysis, and Acting Manager, Strategic Business and Financial Planning. I also teach finance classes for the Postal Service's Management and Advanced Leadership programs.

I earned a Bachelor of Arts degree in Accounting from the University of Maryland, a Master of Business Administration degree from the University of Phoenix, and a Certificate of Business Analytics from The Wharton School, University of Pennsylvania. In addition, I am a graduate of the USPS Advanced Leadership program and am Lean Six Sigma Green Belt trained.

1 **PURPOSE OF TESTIMONY**

2 The purpose of my testimony is to furnish financial context for the Postal  
3 Service's proposed service standard changes. First, I will provide background on  
4 the Postal Service's recent and current financial condition and the need for the  
5 service standard changes. I will begin by showing trends in volume, net  
6 income/loss, and liquidity since 2007.<sup>1</sup> This will include 2020 results as well as  
7 the 2021 Integrated Financial Plan targets. Together, these realities have led the  
8 Postal Service to conclude that this initiative is necessary and in the long-term  
9 interests of all users of the mail.

10 Next, I will discuss the methodology that the Postal Service has used to  
11 estimate the cost savings potential of the initiative, and I will present the overall  
12 estimated change in cost.

13 Finally, I will compare the expected cost savings with the potential  
14 contribution loss to arrive at an estimate of the expected net financial impact.

15

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<sup>1</sup> All references to years in this testimony refer to Postal Service fiscal years.

1                                   **ASSOCIATED LIBRARY REFERENCES**

2                   I am sponsoring the following Library References, which are associated  
3 with this testimony:

4 USPS-LR-N2021-1-4       Calculating Transportation Cost Changes (Public  
5 Version)

6 USPS-LR-N2021-1-NP2   Calculating Transportation Cost Changes (Non-Public  
7 Version)

8



## **I. THE POSTAL SERVICE'S FINANCIAL SITUATION**

Despite the fact that the Postal Service continues to provide the nation with a vital delivery platform that serves every American business and residential address, mail volumes are on the decline because of a dramatic shift in market dynamics over the last fifteen years. Due to increased use of electronic communications and the rapid growth of digital advertising, annual mail and package volumes have declined by 39 percent since 2006 to 129 billion pieces in 2020. Additionally, the Postal Service faces tough competition in its package business, both from traditional delivery companies and from current customers that have begun implementing their own delivery capabilities. These trends are well-established and are expected to continue to impact the Postal Service for the foreseeable future.

The following legal constraints limit our ability to respond to market forces:

- The universal service obligation, which requires, among other things, delivering mail six days per week throughout the nation and maintaining unprofitable retail locations. The universal service obligation results in significant costs for delivery and retail operations, which must grow notwithstanding declining mail volume.
- Mandatory participation in federal retiree and employee benefits programs, the costs of which are higher than most other employer benefits programs and generally grow faster than the rate of inflation.

- Other constraints on our ability to control our costs, such as the statutory requirement to engage in collective bargaining against a backdrop of binding arbitration.

In combination, these factors have led to an enormous and growing financial deficit. Among other things, the Postal Service has incurred fourteen consecutive years of net losses, defaults on mandated retiree health benefits (RHB) and pension payments, a severely underfunded balance sheet, and a cash balance insufficient to make critical capital investments or to weather rapid revenue declines.

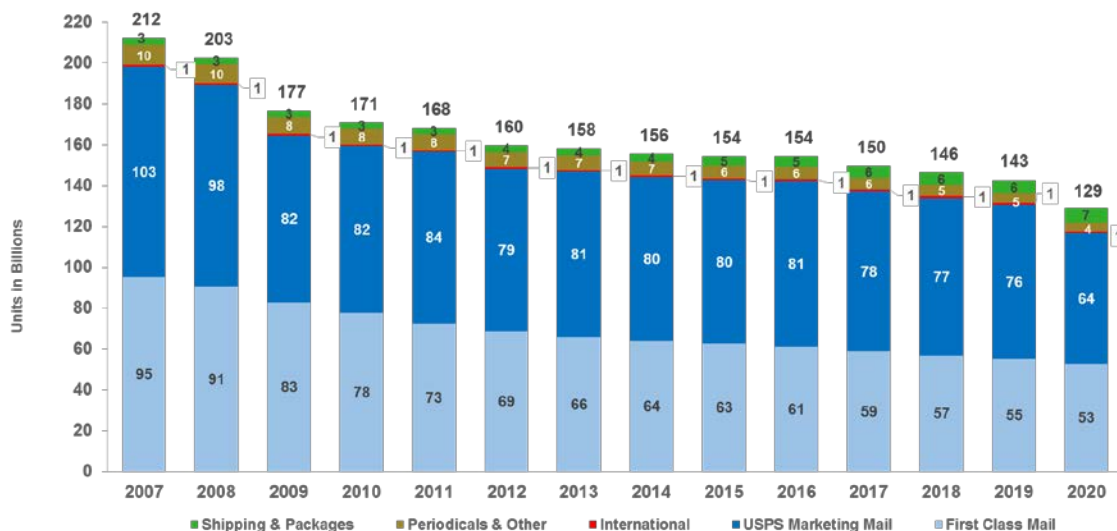
In 2020, our net loss was \$9.2 billion. Our 2021 Integrated Financial Plan projects a net loss of \$9.7 billion, absent legislative or regulatory reform. The gap between our total liabilities and total assets is expected to grow from \$80.7 billion in FY2020 to \$90.1 billion in FY2021, with the ratio growing from 325 percent to 386 percent. Our ratio of current liabilities to current assets is even higher, at 486 percent in FY2020. Without a combination of legislative and regulatory reforms, coupled with operational changes to reduce costs, the organization has no viable path to financial stability.

#### **A. Recent History of Mail Volume Declines**

The Postal Service depends upon revenues from its products and services to sustain operations and meet its universal service obligation. For decades, steady growth in mail volumes generated revenues that kept pace with increasing costs. Price increases were generally in line with inflation. That growth ended in 2006, when total volume peaked at 213 billion pieces. Since 2006, total annual volume has fallen by about 39 percent. In 2009 alone, total

volume fell 26 billion pieces, or almost 13 percent, the largest annual percentage decline that the Postal Service has experienced since the 1930s. Mail volume did not rebound or stabilize after the Great Recession, as it did after other recessions; instead, for the first time in American postal history, mail volume continued to decline. Total volumes in 2020 (129 billion pieces) dropped by 13 billion pieces, or 9 percent, to their lowest level since 1983. These lost volumes, which are largely due to the proliferation of electronic media for bill presentment, payment, correspondence, and other communications, are not expected to return. Table 1 illustrates steady overall volume declines over the past fourteen years and demonstrates that the growth in the package volume has not offset the declines in our mail segments.

**Table 1: Total Volumes, by Category**



Source: U.S. Postal Service Revenue, Pieces, and Weight reports

The greatest volume decline has been experienced in First-Class Mail, our highest-contributing product, where volumes have declined by approximately 45 billion pieces, or 46 percent, since 2006. USPS Marketing Mail, which

1 comprises the majority of our mail volumes, declined by more than 38 billion  
2 pieces (37 percent) from 2006 to 2020, mainly due to the increasing diversion of  
3 advertising spending from USPS Marketing Mail to digital media (the Internet,  
4 email, mobile, or social media).

5 Both First-Class Mail and USPS Marketing Mail were adversely affected  
6 by the COVID-19 pandemic in 2020. First-Class Mail volumes decreased by  
7 9.2 percent and 5.7 percent in Quarters 3 and 4 of that year, compared to the  
8 same quarter in 2019, respectively. USPS Marketing Mail volumes decreased by  
9 36.4 percent and 14.9 percent for the same periods. Although the COVID-19  
10 pandemic was without doubt an extraordinary event, based on our experience  
11 following the Great Recession and the existing systemic trends, we deem it  
12 unlikely that volumes will return to past levels in future years.

13 A wide variety of communications media compete for the same types of  
14 transactions and communications that are conducted using our letter mail  
15 delivery services. The most significant competitor for First-Class Mail is digital  
16 communication, including email, social networking, telecommunications, and  
17 online bill payment and presentment.

18 For USPS Marketing Mail, digital forms of advertising, including digital  
19 mobile advertising and social media, are the most significant form of competition.  
20 Digital advertising's share of advertiser spend is forecasted to increase each  
21 year, while the portion captured by direct mail (postage costs only) is expected to  
22 decline. The continued trend toward digitization will put downward pressure on  
23 mail volumes for the foreseeable future.

1           **B.     The Current Business Model Results in an Unsustainable**  
2           **Financial Situation**

3           Since 2007, we have suffered 14 years of consecutive net losses totaling  
4           \$87.0 billion, with a \$9.2 billion net loss in 2020 alone. Retirement-related  
5           expenses totaled a roughly comparable amount during that period (\$84.2 billion),  
6           but it would be a mistake to attribute the net losses solely to such expenses.  
7           Structural forces in the marketplace and in our legal framework have also had a  
8           significant impact on our financial results. These structural factors include  
9           declines in high-contribution mail volume; a rigid system of market-dominant rate  
10          regulation, which has limited our ability to raise prices to offset the revenue  
11          impact of volume declines;<sup>2</sup> limited ability to introduce new products; and  
12          legislative restrictions on reducing operating costs, including the universal service  
13          obligation, mandatory participation in costly federal benefits programs, and a  
14          requirement to engage in collective bargaining against a backdrop of binding  
15          arbitration.

16          Despite the legislative constraints on our ability to control costs, we have  
17          been aggressive in managing costs that are within our control. Since 2006, we  
18          have reduced the total number of employees by 125,000 through attrition by such  
19          measures as restructuring delivery routes, reducing lobby hours at 13,000  
20          underutilized retail offices, and consolidating mail processing at more than 360  
21          facilities. Starting in 2011, our labor agreements have allowed us to increase our

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<sup>2</sup> Although the Commission's recent modifications to the rate-regulation system will include additional rate authority based, in part, on volume decline, it has not yet taken effect; does not aim to offset the impact on the current rate base from past volume declines; and is designed to be conservative, rather than providing a complete adjustment in all cases.

1 non-career workforce and to introduce a lower-tier wage schedule for new career  
2 employees. We have secured agreement from our unions on higher rates of  
3 employee contribution toward health benefits, to the point of parity with the rest of  
4 the federal government for most employees. The Postal Service must continue  
5 to pursue efforts to increase operational efficiency and reduce costs in order to  
6 ensure its financial sustainability.

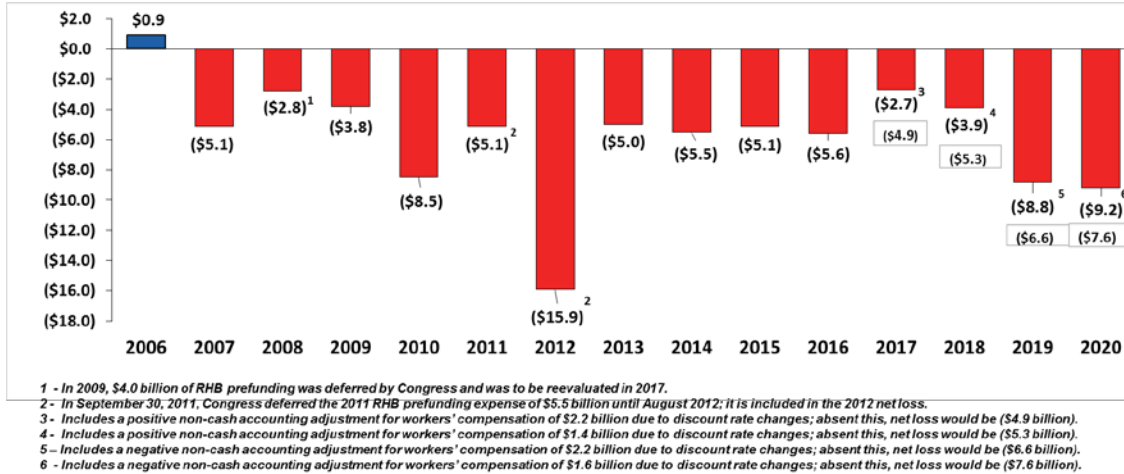
7 Another mitigating factor in recent years has been growth in the e-  
8 commerce marketplace, leading to dramatically increased demand for package  
9 shipping services. In 2020, the Postal Service's Shipping and Packages  
10 services, which are almost entirely made up of competitive products, constituted  
11 39 percent of operating revenues, compared to 11 percent in 2007, an increase  
12 of 255 percent.<sup>3</sup> Competitive products participate in the package delivery market  
13 and are subject to market forces. The competitive environment is highly dynamic  
14 and largely price-driven. This limits our ability to increase prices and revenues in  
15 this sector.

16 While significant cost reductions and growth in the package business have  
17 slowed the rate of financial decline, they have not been enough to reverse  
18 fourteen consecutive years of net losses.

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<sup>3</sup> Part of this shift results from the reclassification of certain market-dominant products as competitive during the intervening years.

1

**Table 2: Net Income/Loss, 2006-2020**

2

3 *Source: U.S. Postal Service Forms 10-K*

4 As a result of those net losses, we have been forced to default on nearly \$63.3

5 billion dollars in RHB and pension payments in order to retain enough cash to

6 continue serving the American public for as long as possible. Beyond immediate

7 liquidity, unless we can reverse the outlook of continuing net losses and

8 replenishing the Postal Service's assets, the already staggering burden of

9 liabilities will become completely unsustainable.

10 In sum, the Postal Service exists within an ongoing state of financial crisis.

11 Mail volumes are in systemic decline and package volumes, though buoyed by a

12 pandemic-related surge, are under increasing competitive pressure. This decline

13 is reflective of a rapidly changing mailing and shipping environment. The Postal

14 Service continues to have insufficient liquidity to fulfill its universal service

15 obligations, fully fund all legally-required financial obligations, maintain a margin

16 of safety to deal with contingencies, and make necessary capital investments. In

17 order to remain financially sustainable and to continue providing the American

public with critical postal services, legislative reform is necessary, but the Postal Service must also aggressively manage costs within its control.

## **II. ESTIMATED COST SAVINGS FROM SERVICE CHANGE**

### **A. Methodology for Estimating the Annual Cost Changes Caused by a Change in Service Standards**

The purpose of this section is to describe the methodology used to measure the expected annual changes in costs resulting from the proposed change in service standards. These cost changes are the result of a two-step process. First, as described in witness Cintron's testimony (USPS-T-1), the service standard change will result in a restructuring of the Postal Service's transportation network. Namely, both the required air capacity and required highway capacity will be reduced. Primarily, in the surface network, there will be a reduction in Inter-Area, Inter-Cluster, and Inter-P&DC highway capacity.<sup>4</sup> There will be no immediate change in the capacity of transportation connecting the Postal Service's Network Distribution Centers (NDCs) because products that travel primarily on the NDC network will not be impacted by this change in

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<sup>4</sup> Inter-Area, Inter-Cluster, and Inter-P&DC are types of accounts within the Inter-SCF cost pool for highway transportation. These accounts are defined as follows:

Inter-Area accounts are used to record the expense for the transportation of mail between a postal facility (except a Network Distribution Center (NDC)) in one postal area and a postal facility (except a NDC) in a different area.

Inter-Cluster accounts are used to record the expense for the transportation of mail between a postal facility in one district and a postal facility in a different district, when both postal facilities are within the same postal area and neither are NDCs (not Inter-NDC).

Inter-P&DC accounts are used to record the expense for the transportation of mail between two postal processing and distribution plants (neither an NDC) within the service area of a postal district within a postal area.



1 service standards.<sup>5</sup> Second, this change in both highway and air capacity will  
2 result in a change in costs incurred for purchased highway and air transportation.

3 The relationship between cost and capacity has been the subject of  
4 ongoing study over the past several decades, and these econometric studies  
5 have been presented to and approved by the Postal Regulatory Commission on  
6 several occasions for use in regulatory costing.<sup>6</sup> For air transportation, the cost  
7 generally varies in proportion to volume, due to the nature of the contracts.<sup>7</sup> For  
8 highway transportation, the cost-to-capacity relationship was measured through  
9 an econometric analysis based on contract data from the Transportation Contract  
10 Support System (TCSS). This analysis includes consideration of route length  
11 and postal area, in addition to the cost incurred for purchasing some amount of  
12 highway capacity, measured in cubic foot-miles.<sup>8</sup> This testimony will rely on  
13 these established methods, as they represent a sound economic basis for  
14 calculating the expected cost savings resulting from the planned operational  
15 changes. In addition, the analysis of cost savings described in this section will  
16 hold constant the volume of mail being transported, as has been done in

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<sup>5</sup> Direct Testimony of Robert Cintron on Behalf of the United States Postal Service (USPS-T-1), PRC Docket No. N2021-1 (Apr. 21, 2021), at 15-17.

<sup>6</sup> See, e.g., Order No. 2180, Order on Analytical Principles Used in Periodic Reporting (Proposals Three Through Eight), PRC Docket No. RM2014-6 (Sept. 10, 2014), at 15; Direct Testimony of Michael D. Bradley on Behalf of United States Postal Service (USPS-T-18), PRC Docket No. R2000-1 (Jan. 12, 2000), at 1-13 (recounting history of the methodology from before Docket No. R80-1 to Docket No. R97-1).

<sup>7</sup> Summary Description of USPS Development of Costs by Segments and Components, Fiscal Year 2019 (July 1, 2020), Microsoft Word file "CS14-19.docx", at 14-3.

<sup>8</sup> USPS-RM2014-6/1, Public Material Relating to Proposal Six (June 20, 2014), Microsoft Word file "Rpt.Updat.PHT.Cost.Cap.Variab.docx", at 12.

1 previous similar analyses, to avoid any confounding effects of introducing volume  
2 reductions in addition to operational changes.<sup>9</sup>

3 **B. Cost Changes Arising from the Change in Service Standards**

4 **1. Cost Changes Resulting from Changes in Air Capacity**

5 As a result of the proposed change in service standards, the Postal  
6 Service expects a reduction of 49.3 percent in First-Class Mail pounds flown.<sup>10</sup>  
7 This reduction will be spread across multiple air carriers, each of which charges a  
8 different rate per pound flown (or per cubic foot flown). With one small exception,  
9 air transportation costs have been shown to vary in proportion with volume, due  
10 to the nature of the contracts with the carriers.<sup>11</sup> Therefore, the reduction in  
11 capacity will imply a proportional reduction in purchased air transportation cost.  
12 In other words, the savings resulting from the reduction in air capacity can be  
13 calculated for each carrier by multiplying the expected percent reduction in units  
14 flown by the carrier's total cost. Witness Hagenstein provides the expected  
15 percent reduction in pounds of First-Class Mail flown. This reduction is then  
16 converted into the percent reduction in total air capacity by carrier. Details of the  
17 methodology used for this calculation are included in the preface to Library  
18 Reference USPS-LR-N2021-1-NP2. As stated above, the percent reduction in

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<sup>9</sup> See Direct Testimony of Michael D. Bradley on Behalf of the United States Postal Service (USPS-T-10), PRC Docket No. N2012-1 (Dec. 5, 2011), at 2.

<sup>10</sup> Library Reference USPS-LR-N2021-1-3, Microsoft Excel file "3\_SSD\_5D\_Vol\_Impacts\_CONUS.xlsx", tab "Air\_Finance\_Summary".

<sup>11</sup> Summary Description of USPS Development of Costs by Segments and Components, Fiscal Year 2019 (July 1, 2020), Microsoft Word file "CS14-19.docx", at 14-3. The exception – payments to FedEx and UPS for failure to meet minimum volume commitments – is treated as an institutional cost and accounts for only a 0.4-percentage point diminution in what is otherwise a 100-percent volume-variability ratio. *Id.* at 14-2, 14-3. Moreover, there is sufficient lead time until implementation to adjust the network appropriately and meet new planned minimums.

1 capacity for each carrier is multiplied by the total cost for that carrier to calculate  
2 the proportional reduction in cost.

3 Combining the savings from all air carriers provides a total air  
4 transportation savings of \$196.1 million per year expected as a result of the  
5 reduction in air capacity. Supporting workbooks containing the calculations  
6 described in this section are filed in Library Reference USPS-LR-N2021-1-NP2,  
7 Calculating Transportation Cost Changes (Non-Public Version).<sup>12</sup>

## 8 **2. Cost Changes Resulting from Changes in Highway** 9 **Capacity**

10 In addition to the reduction in required air capacity, the proposed change  
11 in service standards will result in changes in the highway network. As calculated  
12 in Witness Hagenstein's supporting workpapers, the required surface capacity  
13 will decrease as the proposed service standards allow for more efficient travel  
14 paths for current surface volumes. This added efficiency more than offsets any  
15 increases in surface capacity that may have arisen as a result of shifting mail out  
16 of air and into the highway network.

17 The relationship of highway capacity to cost has been studied and  
18 documented with the Commission, most recently in Docket No. RM2014-6. In  
19 the highway network, a certain percent change in capacity yields a lower percent  
20 change in cost. This relationship is measured by the cost-to-capacity variability,  
21 which lies between 85 and 95 percent for long-haul highway transportation.<sup>13</sup> In

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<sup>12</sup> Corresponding public versions of the supporting workbooks are filed in USPS-LR-N2021-1-4 with commercially sensitive data redacted.

<sup>13</sup> USPS-RM2014-6/1, Public Material Relating to Proposal Six (June 20, 2014), Microsoft Word file "Rpt.Updat.PHT.Cost.Cap.Variab.docx", at 28, 31 (Tables 7 & 10).

1 other words, if capacity increases by 10 percent, cost will increase by only 8.5 to  
2 9.5 percent, depending on the contract type. Mathematically, the relationship  
3 between cost and capacity is calculated as:

$$\% \Delta Cost_i = \varepsilon_i * \% \Delta Capacity_i,$$

5 where  $\varepsilon$  is the cost-to-capacity variability, and capacity is measured in cubic foot-  
6 miles.

7 Given that, the total cost savings can be calculated as:

$$CostSavings_i = \varepsilon_i * [\% \Delta CFM] * BaselineCost_i.$$

9 The majority of the cost savings due to the proposed change in service  
10 standards is within Inter-Area contracts. Witness Hagenstein calculates a  
11 6.6 percent decrease in capacity for this network.<sup>14</sup> As described above, the  
12 corresponding cost decrease can be calculated by multiplying the percent  
13 decrease in capacity by the relevant cost-to-capacity variability, which is 89.9  
14 percent for Inter-Area transportation.<sup>15</sup> Therefore, a 6.6 percent decrease in  
15 capacity implies a 5.9 percent decrease in cost. Given that the baseline cost for  
16 these accounts is \$1.09 billion, the expected annual cost savings in the Inter-  
17 Area surface network is \$64.8 million.

18 The cost savings in the Inter-Cluster and Inter-P&DC networks are  
19 calculated in a similar manner. Witness Hagenstein calculates an anticipated 3.6  
20 percent reduction in the Inter-Cluster capacity and a 7.2 percent reduction in the

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<sup>14</sup> Library Reference USPS-LR-N2021-1-3, Microsoft Excel file  
"3\_SSD\_5D\_Vol\_Impacts\_CONUS.xlsx", tab "Finance\_Summary Surface".

<sup>15</sup> USPS-RM2014-6/1, Public Material Relating to Proposal Six (June 20, 2014), Microsoft Word  
file "Rpt.Updat.PHT.Cap.Variab.docx", at 31 (Table 10).

1 Inter-P&DC capacity.<sup>16</sup> The cost-to-capacity variability is 89.1 percent for Inter-  
2 Cluster transportation and 85.0 percent for Inter-P&DC transportation.<sup>17</sup> Thus,  
3 the associated baseline costs and savings for Inter-Cluster and Inter-P&DC  
4 transportation are calculated as described above and summarized in Table 3  
5 below.

6 **Table 3: Inter-Cluster and Inter-P&DC Cost Savings**

Contract Type	Cost-to-Capacity Variability	Capacity Change	Baseline Cost	Cost Change
Inter-Cluster	89.1%	-3.6%	\$249 million	\$8.0 million
Inter-P&DC	85.0%	-7.2%	\$174 million	\$10.7 million

7  
8 In total, combining the impacts to the highway network capacity between  
9 Inter-Area, Inter-Cluster, and Inter-P&DC contracts results in a decrease of \$83.5  
10 million in annual purchased highway transportation cost.

11 **3. Net Impact on Purchased Transportation Cost**

12 The proposed change in service standards will impact purchased  
13 transportation by reducing capacity needs in both air and highway transportation.  
14 In summary, the decrease in annual cost for air transportation of \$196.1 million  
15 and for highway transportation of \$83.5 million results in a total annual cost  
16 savings of \$279.6 million for purchased transportation.

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<sup>16</sup> Library Reference USPS-LR-N2021-1-3, Microsoft Excel file  
"3\_SSD\_5D\_Vol\_Impacts\_CONUS.xlsx", tab "Finance\_Summary Surface".

<sup>17</sup> USPS-RM2014-6/1, Public Material Relating to Proposal Six (June 20, 2014), Microsoft Word  
file "Rpt.Updat.PHT.Cost.Cap.Variab.docx", at 31 (Table 10).

1     **III.     NET FINANCIAL IMPACT OF INITIATIVE**

2             The output of the costing models shows an expected decrease in annual  
3     cost of \$279.6 million. These projected cost savings are expected to be partially  
4     offset by the potential lost contribution due to the longer delivery standard. As  
5     described by witnesses Monteith (USPS-T-4) and Thress (USPS-T-5), the  
6     estimated net decrease in annual contribution is projected at \$110.1 million.  
7     Subtracting this figure from the \$279.6 million in estimated annual net cost  
8     savings yields an estimated overall improvement in net income of \$169.5 million.

9     **IV.     CONCLUSION**

10            As shown above, the current and recent net losses cannot be maintained.  
11     Without significant, sustained efforts to address our operating costs, along with  
12     other changes, our financial condition will continue to deteriorate. This initiative  
13     to reduce the costs of our transportation network is one of many things needed to  
14     offset these losses and help improve our overall financial strength.

## **INDEX OF LIBRARY REFERENCES FOR POSTAL SERVICE WITNESS WHITEMAN**

The following are the library references sponsored by Postal Service witness Whiteman:

### **Public:**

- LR-N2021-1-4, "Calculating Transportation Cost Changes"
- LR-N2021-1-11, "Calculating Air to Surface Savings"
- LR-N2021-1-25, "Material Provided in Response to Presiding Officer's Information Request No. 3, Question 5"

### **Non-Public**

- LR-N2021-1-NP2, "Calculating Transportation Cost Changes"
- LR-N2021-1-NP6, "Calculating Air to Surface Savings"
- LR-N2021-1-NP10, "Nonpublic Material Provided in Response to Presiding Officer's Information Request No. 3, Question 5"

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN  
TO INTERROGATORY OF DOUGLAS F. CARLSON**

**DFC/USPS-T2-1.** Please refer to Table 1 on page 3 of your testimony. Please provide annual First-Class Mail volume for each year from 1969 to 2006.

**RESPONSE:**

While the relevance of decades-old historical information is not apparent, the following information is readily available from public sources:

**First-Class Mail Volume (Billions)**

<b>1969</b>	<b>46</b>	<b>1988</b>	<b>85</b>
<b>1970</b>	<b>49</b>	<b>1989</b>	<b>86</b>
<b>1971</b>	<b>50</b>	<b>1990</b>	<b>89</b>
<b>1972</b>	<b>49</b>	<b>1991</b>	<b>90</b>
<b>1973</b>	<b>51</b>	<b>1992</b>	<b>91</b>
<b>1974</b>	<b>52</b>	<b>1993</b>	<b>92</b>
<b>1975</b>	<b>51</b>	<b>1994</b>	<b>95</b>
<b>1976</b>	<b>52</b>	<b>1995</b>	<b>96</b>
<b>1977</b>	<b>54</b>	<b>1996</b>	<b>98</b>
<b>1978</b>	<b>56</b>	<b>1997</b>	<b>100</b>
<b>1979</b>	<b>58</b>	<b>1998</b>	<b>100</b>
<b>1980</b>	<b>60</b>	<b>1999</b>	<b>102</b>
<b>1981</b>	<b>61</b>	<b>2000</b>	<b>104</b>
<b>1982</b>	<b>62</b>	<b>2001</b>	<b>104</b>
<b>1983</b>	<b>64</b>	<b>2002</b>	<b>102</b>
<b>1984</b>	<b>68</b>	<b>2003</b>	<b>99</b>
<b>1985</b>	<b>72</b>	<b>2004</b>	<b>98</b>
<b>1986</b>	<b>76</b>	<b>2005</b>	<b>99</b>
<b>1987</b>	<b>79</b>	<b>2006</b>	<b>98</b>



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN  
TO INTERROGATORIES OF GREETING CARD ASSOCIATION**

**GCA/USPS-T2-3.** Please confirm that, according to the FY 2020 *Public Cost Segments and Components* report, at Cost Segment 14,

(a) Total market-dominant purchased highway transportation cost, net of that cost for First-Class Mail, was \$1,301,131 (000) minus \$602,989 (000) = \$698,142 (000).

(b) Total competitive purchased highway transportation cost was \$1,658,184 (000). If in either case you do not confirm, please provide the correct value and explain the necessary correction.

**RESPONSE:**

- a. Partially confirmed. The figures above are correct for domestic market dominant products' purchased highway transportation costs.
- b. Partially confirmed. The figures above are correct for domestic competitive products' purchased highway transportation costs.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN  
TO INTERROGATORIES OF NATIONAL POSTAL POLICY COUNCIL**

**NPPC/USPS-T2-1.** Please refer to Page 14, lines 2-3, of your testimony, where you state: "The output of the costing models shows an expected decrease in annual cost of \$279.6 million."

- a. Are the cost savings numbers of \$279.6 million as compared to an optimized baseline or a current state baseline?
- b. If the cost savings are against a current state baseline, did you perform any analysis showing what savings would be compared to an optimized current ground baseline? If so, please provide it.

**RESPONSE:**

- a. The \$279.6 million in cost savings was calculated using FY2020 costs as the baseline, which would be a current state baseline.
- b. No.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN  
TO INTERROGATORY OF NATIONAL POSTAL POLICY COUNCIL  
REDIRECTED FROM WITNESS MONTEITH**

**NPPC/USPS-T4-4.** Is the Postal Service forecasting volume increases (as compared to FY2020) in First-Class Mail in FY2021 and FY2022? If so, please provide those estimates and indicate whether they are adjusted for the effect of any rate changes (compared to current rates) that would apply in those periods.

**RESPONSE:**

No.

## RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO POSTCOM INTERROGATORY

**POSTCOM/USPS-T-2-1.** Please refer to page 2 of your testimony, where you state that the Postal Service's FY2021 Integrated Financial Plan projects a loss of \$9.7 billion, absent legislative or regulatory reform. According to the March 2021 preliminary financial results reported to the Commission on Friday May 7, 2021, the Postal Service is reporting a net income of \$236 million so far in FY2021. Given these year-to-date results, does the Postal Service still expect to lose \$9.7 billion this year? If not, please provide an updated estimate.

### **RESPONSE:**

The \$236 million reported net income, as measured by Generally Accepted Accounting Principles, included a positive non-cash workers' compensation adjustment of \$2,230 million. This compares to a \$2,092 million negative impact during the same period last year. The workers' compensation non-cash liability adjustment is due to interest rate fluctuations and changes to actuarial assumptions. See U.S. Postal Serv., FY2021 Q2 Form 10-Q (May 6, 2021), at 30.

For the three months ended March 31, 2021, the Postal Service lost \$1,706 million, excluding the combined effects of non-cash workers' compensation adjustments due to fluctuations in interest rates and other actuarial revaluations. This compares to a loss of \$1,890 million in the same quarter last year (adjusted for the same factors). *Id.* at 23.

The unemployment rate in April 2021 remained relatively flat at 6.1 percent. Bureau of Labor Statistics, News Release USDL-21-0816, The Employment Situation – April 2021, May 7, 2021, at 1, <https://go.usa.gov/xHzr4>. The Colonial Pipeline hack has resulted in a negative impact on fuel prices in the eastern part of the United States. Based on the current economic trends and the unknown status of the coronavirus,

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN  
TO POSTCOM INTERROGATORY**

forecasting the Postal Service's net income for the next few months is extremely challenging. While it is possible that the Postal Service might not end the year at the \$9.7 billion net loss projected in the 2021 IFP, the end-of-year net loss could reasonably be expected to fall anywhere in the range of \$2.0 billion to \$9.0 billion.

## RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

**Question 13.** Projected cost savings calculated in Library Reference USPS-LR-N2021-1/4 are based on FY 2020 costs for both air and highway transportation. According to the Postal Service's Form 10-K report for FY 2020, air transportation and highway transportation expenses increased by 12.7 percent and 5.2 percent, respectively, compared to the prior year. The Postal Service expects transportation costs to decline in FY 2021 assuming a minimal usage of the higher cost chartered air carriers with the resumption of commercial air to full capacity by the middle of the FY 2021. FY 2020 transportation expenses were affected by the COVID-19 pandemic. Postal Service FY 2020 Form 10-K at 44.

- a. Please provide the rationale for using FY 2020 as the base year given the known effects of the pandemic on transportation expenses.
- b. Please provide the cost assumptions used to calculate the FY 2021 planned transportation costs in the FY 2021 IFP. *Id.*
- c. Please provide the cost assumptions used to calculate the projected financial impact of individual transportation cost saving initiatives in the Postal Service's 10-year strategic plan.<sup>1</sup>

### RESPONSE:

- a. Using FY2020 as the base year for calculating the expected savings is appropriate for several reasons: (i) year-to-year increases of this level are not unprecedented; (ii) using the most recent transportation costs reflects the most up-to-date cost per pound and cost per cubic-foot-mile for air and surface transportation; (iii) First-Class Mail transportation costs have actually decreased since FY2019; and (iv) the share of transportation costs caused by First-Class Mail has decreased since FY2019. These reasons are explained in more detail below.

First, it is true that purchased transportation costs increased substantially from FY2019 to FY2020, but increases of this level are not unprecedented, even in recent years. From FY2018 to FY2019, air transportation costs increased by

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<sup>1</sup> See United States Postal Service, *Delivering for America: Our Vision and Ten-Year Plan to Achieve Financial Sustainability and Service Excellence*, March 23, 2021, at 48, available at: [https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS\\_Delivering-For-America.pdf](https://about.usps.com/what/strategic-plans/delivering-for-america/assets/USPS_Delivering-For-America.pdf).

## **RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1**

6.1 percent, and purchased surface transportation costs increased by 4.6 percent. From FY2017 to FY2018, air transportation costs increased by 16.6 percent, and purchased surface transportation costs increased by 5.6 percent. These increases from FY2017 to FY2018 were even larger, on a percentage basis, than those seen from FY2019 to FY2020.

Second, using the most recent available cost data ensures that the savings reflect the latest cost per pound and cost per cubic-foot-mile incurred for purchasing transportation capacity. Air and highway transportation costs are subject to inflation each year as well as additions, terminations, and modifications of the contracts involved. Using any prior year as a baseline would distort the future savings by failing to account for these annual changes.

Third, although total transportation costs did increase from FY2019 to FY2020, transportation costs attributed to First-Class Mail decreased over the same period. First-Class Mail air transportation costs decreased 12.2 percent, from \$591 million to \$519 million. First-Class Mail surface transportation costs decreased 3.6 percent, from \$639 million to \$615 million.<sup>2</sup> Since total transportation costs increased while First-Class Mail transportation costs decreased, it is clear that the share of transportation costs attributed to First-Class Mail also decreased from FY2019 to FY2020. To calculate the air transportation savings, the percent reduction in First-Class Mail flown that witness Hagenstein provides is applied to the share of First-Class Mail flown. In

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<sup>2</sup> See Docket No. ACR2020, USPS-FY20-2, FY20Public Cost Segs & Comps.xlsx, tab CS14, and Docket No. ACR2019, USPS-FY19-2, FY19Public Cost Segs & Comps.xlsx, tab CS14.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO  
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FY2019, this First-Class Mail share would have been larger, which would have at least partially offset the difference in total transportation costs compared to FY2020.

It is important to clarify the prefatory remark that “[t]he Postal Service expects transportation costs to decline in FY2021 assuming a minimal usage of the higher cost chartered air carriers with the resumption of commercial air to full capacity by the middle of the FY2021.” The FY2021 Integrated Financial Plan (IFP) was cited in support of this statement. However, the IFP was developed prior to the unexpected continued surge in package volume that has lasted well beyond peak season.<sup>3</sup> Therefore, even with commercial air at full capacity, some charters will likely be required to support this persisting high level of network package volume.

- b. The FY2021 total transportation costs were developed by inflating segments of the estimated end-of-year FY2020 transportation costs according to Global Insight indices. Segments of transportation costs subject to adjustment include such items as fuel, wage components of the transportation contracts, and renewals of expiring contracts. The total calculated amount was then discounted to reflect targeted transportation cost reductions.
- c. Baseline transportation cost projections in the strategic plan were developed by inflating segments of the FY2021 IFP transportation costs according to Global Insight indices over a ten-year period.

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<sup>3</sup> See Revenue, Pieces, and Weight (RPW) Report, FY2021, Quarter 2 (May 7, 2021). First-Class Package Service volume has increased 49.9 percent compared to Quarter 2 of FY2020, and Priority Mail volume has increased 27.1 percent.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO  
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The potential cost impact from each initiative was developed independently and applied against the baseline projection. The resulting reduction in annual cost was then inflated by a 2 percent inflation factor after full implementation. Finally, each initiative was risk-adjusted to determine a range of potential cost savings.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN  
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 1**

**Question 14.** Under the proposed changes, the Postal Service expects a reduction of 49.3 percent in First-Class Mail pounds flown.<sup>5</sup>

- b. Please provide air and surface costs for the affected First-Class Mail and Periodicals for prior years beginning FY 2017.

**RESPONSE:**

- b. Air and Surface costs by product for First-Class Mail and Periodicals are shown below. Note that the costs below are for all First-Class Mail and Periodicals, as the Postal Service is unable to disaggregate costs according to volumes affected and not affected by the proposed service standard change. Note also that for FY2017, First-Class Parcels were excluded from the First-Class Mail total.

	FY2017		FY2018		FY2019		FY2020	
	Air Cost (\$000s)	Surface Cost (\$000s)	Air Cost (\$000s)	Surface Cost (\$000s)	Air Cost (\$000s)	Surface Cost (\$000s)	Air Cost (\$000s)	Surface Cost (\$000s)
<b>First-Class Mail</b>								
Single-Piece Letters	66,439	206,071	75,127	209,802	91,398	236,982	71,030	246,947
Single-Piece Cards	497	4,300	1,068	2,562	971	7,109	1,180	4,807
Presort Letters	277,107	220,695	289,841	214,163	374,930	244,352	329,138	215,243
Presort Cards	7,422	6,613	7,609	4,643	13,285	9,121	12,700	4,833
Flats	93,331	145,921	91,490	133,258	110,900	141,100	105,263	143,600
<b>Total First-Class Mail</b>	<b>444,797</b>	<b>583,599</b>	<b>465,135</b>	<b>564,428</b>	<b>591,483</b>	<b>638,664</b>	<b>519,311</b>	<b>615,430</b>
<b>Periodicals</b>								
In County	-	83	-	97	-	86	-	88
Outside County	16,082	154,867	14,957	168,448	18,555	172,236	13,347	148,197
<b>Total Periodicals</b>	<b>16,082</b>	<b>154,950</b>	<b>14,957</b>	<b>168,545</b>	<b>18,555</b>	<b>172,322</b>	<b>13,347</b>	<b>148,286</b>

Source: Docket No. ACR2020, USPS-FY20-2, FY20 Public Cost Segs and Comps.xlsx, tab CS14; Docket No. ACR2019, USPS-FY19-2, FY19 Public Cost Segs and Comps.xlsx, tab CS14; Docket No. ACR2018, USPS-FY18-2, FY18 Public Cost Segs and Comps.xlsx, tab CS14; Docket No. ACR2017, USPS-FY17-2, FY17 Public Cost Segs and Comps.xlsx, tab CS14.

<sup>5</sup> Library Reference USPS-LR-N2021-1/3, April 21, 2021, Excel file "3\_SSD\_5D\_Vol\_Impacts\_CONUS.xlsx," tab "Air\_Finance\_Summary," cell C4.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO  
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**Question 16.** Please refer to Docket No. RM2017-3, Comments of the United States Postal Service, March 20, 2017, Appendix C at 4. Please quantify the savings realized to date from the initiative listed as b) in the recommended cost savings initiatives for the operating category Transportation / Logistics.

**RESPONSES:**

Savings realized from the referenced initiative are estimated at \$36.1 million in FY2017. As shown in USPS-LR-N2021-1-NP6, filed under seal, and USPS-LR-N2021-1-11, escalating the annual savings through the intervening years at 2.6 percent per annum, the total savings through FY2020 is \$150.2 million. The 2.6 percent inflator is a proxy based on Global Insight projections of overall Postal Service cost growth.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO  
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**Question 4.** Please explain the reasons for the difference in the expected cost savings reported in Docket No. RM2017-3, Comments of the United States Postal Service, March 20, 2017, Appendix C at 4, and the cost savings of \$36.1 million as shown in Library Reference USPS-LR-N2021-1/11, May 17, 2021.

**RESPONSE:**

The estimated average annual net cost savings referenced at page 4 of the 2017 report combines savings resulting from multiple different measures described at pages 28-30 of that report. The measure representing the overwhelming majority of those savings was implemented by the Postal Service; the other measures, representing far smaller estimated savings, were not. The variance between the report's estimate of net savings from the implemented measure and the actual FY2017 cost savings shown in Library Reference USPS-LR-N2021-1-11 is on the order of less than 10 percent. This discrepancy might reasonably be seen as within an expected range of variance between estimates and actual experience.

It should also be noted that the figure on page 4 represents an annual average across 10 years, with escalation to reflect cost inflation. By contrast, the relevant figure on pages 28-30 of the 2017 report is a one-year figure, further reinforcing its comparability to the figure in Library Reference USPS-LR-N2021-1-11.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO  
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**Question 5.** Please refer to the Response to POIR No. 1, question 13.c., stating “[b]aseline transportation cost projections in the strategic plan were developed by inflating segments of the FY2021 IFP transportation costs according to Global Insight indices over a ten-year period.”<sup>5</sup> Please provide details for each year of the calculation for the row titled “Transportation” in FIGURE 35: 10-Year Delivering for America Projected Profit and Loss Statement – With USPS Initiatives, in an Excel spreadsheet with links and sources explaining the reason for transportation costs holding steady at \$8.3 billion for the full year of implementation of the service standard change and 2 years onwards through FY 2024 and increasing yearly thereafter from \$8.6 billion in FY 2025 to \$10 billion in FY 2030.

**RESPONSE:**

See Library References USPS-LR-N2021-1-25 and USPS-LR-N2021-1-NP10.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 3**

**Question 8.** Please refer to response of Witness Whiteman to Postcom interrogatory PostCom/USPS-T-2-1, which states, "While it is possible that the Postal Service might not end the year at the \$9.7 billion net loss projected in the 2021 IFP, the end-of-year net loss could reasonably be expected to fall anywhere in the range of \$2.0 billion to \$9.0 billion."<sup>7</sup> Please provide the revenue and cost assumptions supporting the updated end-of-year FY 2021 net loss of \$2.0 billion and \$9.0 billion. Please provide an estimated end-of-year FY 2021 cash balance updated for the revised range of net loss.

**RESPONSE:**

The charts below show the various sets of revenue and cost assumptions supporting the \$2.0 billion to \$9.0 billion range of projected FY2021 net loss figures, along with estimated end-of-year FY2021 cash balances under each scenario. Multiple scenarios are considered given the anticipated decline in revenue in the last six months of the year relative to the first six months, coupled with the unknown status of how the COVID-19 pandemic will continue to impact our business. The model applies the projected percent of change in expenses identically across all expense categories, but it is acknowledged that expenses in the second half of the year will vary across the expense categories, since each expense category has its own unique set of influences.

# **RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3**

## **\$2 Billion Net Loss Scenarios**

**-8.0%** <<< select projected Revenue Growth % here

**-7.0%** <<< select projected Expense Growth % here

	Six Months Ended March 31 2021	Forecast Rest of Year	End of Year Forecast
<b>Total Revenue</b>	40,403	37,171	<b>77,574</b>
<b>Operating Expenses</b>			
Compensation & Benefits	25,600	23,808	<b>49,408</b>
Retirement Benefits	3,580	3,329	<b>6,909</b>
Retiree Health Benefits	2,400	2,232	<b>4,632</b>
Workers' Compensation	692	644	<b>1,336</b>
Non-Cash Workers' Compensation	(2,230)	-	<b>(2,230)</b>
Transportation	4,945	4,599	<b>9,544</b>
Other Operating Expenses	5,115	4,757	<b>9,872</b>
Net Interest	65	60	<b>125</b>
<b>Net income (loss)</b>	<b>236</b>	<b>(2,258)</b>	<b>(2,022)</b>

Operating Activities	5,116
Operating Activities: RHB accrued but not paid	4,632
Investing activities	(2,000)
Financing activities	(3,000)
<b>Cash at beginning of year</b>	<b>14,712</b>
<b>Cash at beginning of period</b>	<b>17,437</b>

**-9.0%** <<< select projected Revenue Growth % here

**-8.0%** <<< select projected Expense Growth % here

	Six Months Ended March 31 2021	Forecast Rest of Year	End of Year Forecast
<b>Total Revenue</b>	40,403	36,767	<b>77,170</b>
<b>Operating Expenses</b>			
Compensation & Benefits	25,600	23,552	<b>49,152</b>
Retirement Benefits	3,580	3,294	<b>6,874</b>
Retiree Health Benefits	2,400	2,208	<b>4,608</b>
Workers' Compensation	692	637	<b>1,329</b>
Non-Cash Workers' Compensation	(2,230)	-	<b>(2,230)</b>
Transportation	4,945	4,549	<b>9,494</b>
Other Operating Expenses	5,115	4,706	<b>9,821</b>
Net Interest	65	60	<b>125</b>
<b>Net income (loss)</b>	<b>236</b>	<b>(2,239)</b>	<b>(2,003)</b>

Operating Activities	5,116
Operating Activities: RHB accrued but not paid	4,608
Investing activities	(2,000)
Financing activities	(3,000)
<b>Cash at beginning of year</b>	<b>14,712</b>
<b>Cash at beginning of period</b>	<b>17,433</b>

# **RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3**

**-10.0%**

<<<select projected Revenue Growth % here

**-9.0%**

<<<select projected Expense Growth % here

	Six Months Ended March 31 2021	Forecast Rest of Year	End of Year Forecast
<b>Total Revenue</b>	40,403	36,363	<b>76,766</b>
<b>Operating Expenses</b>			
Compensation & Benefits	25,600	23,296	<b>48,896</b>
Retirement Benefits	3,580	3,258	<b>6,838</b>
Retiree Health Benefits	2,400	2,184	<b>4,584</b>
Workers' Compensation	692	630	<b>1,322</b>
Non-Cash Workers' Compensation	(2,230)	-	<b>(2,230)</b>
Transportation	4,945	4,500	<b>9,445</b>
Other Operating Expenses	5,115	4,655	<b>9,770</b>
Net Interest	65	59	<b>124</b>
<b>Net income (loss)</b>	<b>236</b>	<b>(2,219)</b>	<b>(1,983)</b>

Operating Activities	5,116
Operating Activities: RHB accrued but not paid	4,584
Investing activities	(2,000)
Financing activities	(3,000)
<b>Cash at beginning of year</b>	<b>14,712</b>
<b>Cash at beginning of period</b>	<b>17,429</b>

**-11.0%**

<<<select projected Revenue Growth % here

**-10.0%**

<<<select projected Expense Growth % here

	Six Months Ended March 31 2021	Forecast Rest of Year	End of Year Forecast
<b>Total Revenue</b>	40,403	35,959	<b>76,362</b>
<b>Operating Expenses</b>			
Compensation & Benefits	25,600	23,040	<b>48,640</b>
Retirement Benefits	3,580	3,222	<b>6,802</b>
Retiree Health Benefits	2,400	2,160	<b>4,560</b>
Workers' Compensation	692	623	<b>1,315</b>
Non-Cash Workers' Compensation	(2,230)	-	<b>(2,230)</b>
Transportation	4,945	4,451	<b>9,396</b>
Other Operating Expenses	5,115	4,604	<b>9,719</b>
Net Interest	65	59	<b>124</b>
<b>Net income (loss)</b>	<b>236</b>	<b>(2,199)</b>	<b>(1,963)</b>

Operating Activities	5,116
Operating Activities: RHB accrued but not paid	4,560
Investing activities	(2,000)
Financing activities	(3,000)
<b>Cash at beginning of year</b>	<b>14,712</b>
<b>Cash at beginning of period</b>	<b>17,425</b>



# RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS **WHITEMAN** TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3

**-18.0%**

<<< select projected Revenue Growth % here

**-16.5%**

<<< select projected Expense Growth % here

	Six Months Ended March 31 2021	Forecast Rest of Year	End of Year Forecast
<b>Total Revenue</b>	40,403	33,130	<b>73,533</b>
<b>Operating Expenses</b>			
Compensation & Benefits	25,600	21,376	<b>46,976</b>
Retirement Benefits	3,580	2,989	<b>6,569</b>
Retiree Health Benefits	2,400	2,004	<b>4,404</b>
Workers' Compensation	692	578	<b>1,270</b>
Non-Cash Workers' Compensation	(2,230)	-	<b>(2,230)</b>
Transportation	4,945	4,129	<b>9,074</b>
Other Operating Expenses	5,115	4,271	<b>9,386</b>
Net Interest	65	54	<b>119</b>
<b>Net income (loss)</b>	<b>236</b>	<b>(2,271)</b>	<b>(2,035)</b>

Operating Activities	5,116
Operating Activities: RHB accrued but not paid	4,404
Investing activities	(2,000)
Financing activities	(3,000)
<b>Cash at beginning of year</b>	<b>14,712</b>
<b>Cash at beginning of period</b>	<b>17,196</b>

**-19.0%**

<<< select projected Revenue Growth % here

**-17.5%**

<<< select projected Expense Growth % here

	Six Months Ended March 31 2021	Forecast Rest of Year	End of Year Forecast
<b>Total Revenue</b>	40,403	32,726	<b>73,129</b>
<b>Operating Expenses</b>			
Compensation & Benefits	25,600	21,120	<b>46,720</b>
Retirement Benefits	3,580	2,954	<b>6,534</b>
Retiree Health Benefits	2,400	1,980	<b>4,380</b>
Workers' Compensation	692	571	<b>1,263</b>
Non-Cash Workers' Compensation	(2,230)	-	<b>(2,230)</b>
Transportation	4,945	4,080	<b>9,025</b>
Other Operating Expenses	5,115	4,220	<b>9,335</b>
Net Interest	65	54	<b>119</b>
<b>Net income (loss)</b>	<b>236</b>	<b>(2,251)</b>	<b>(2,015)</b>

Operating Activities	5,116
Operating Activities: RHB accrued but not paid	4,380
Investing activities	(2,000)
Financing activities	(3,000)
<b>Cash at beginning of year</b>	<b>14,712</b>
<b>Cash at beginning of period</b>	<b>17,192</b>

# RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3

**-20.0%**

<<< select projected Revenue Growth % here

**-18.5%**

<<< select projected Expense Growth % here

	Six Months Ended March 31 2021	Forecast Rest of Year	End of Year Forecast
<b>Total Revenue</b>	40,403	32,322	<b>72,725</b>
<b>Operating Expenses</b>			
Compensation & Benefits	25,600	20,864	<b>46,464</b>
Retirement Benefits	3,580	2,918	<b>6,498</b>
Retiree Health Benefits	2,400	1,956	<b>4,356</b>
Workers' Compensation	692	564	<b>1,256</b>
Non-Cash Workers' Compensation	(2,230)	-	<b>(2,230)</b>
Transportation	4,945	4,030	<b>8,975</b>
Other Operating Expenses	5,115	4,169	<b>9,284</b>
Net Interest	65	53	<b>118</b>
<b>Net income (loss)</b>	<b>236</b>	<b>(2,231)</b>	<b>(1,995)</b>
Operating Activities			5,116
Operating Activities: RHB accrued but not paid			4,356
Investing activities			(2,000)
Financing activities			(3,000)
<b>Cash at beginning of year</b>			<b>14,712</b>
<b>Cash at beginning of period</b>			<b>17,188</b>

**-21.0%**

<<< select projected Revenue Growth % here

**-19.5%**

<<< select projected Expense Growth % here

	Six Months Ended March 31 2021	Forecast Rest of Year	End of Year Forecast
<b>Total Revenue</b>	40,403	31,918	<b>72,321</b>
<b>Operating Expenses</b>			
Compensation & Benefits	25,600	20,608	<b>46,208</b>
Retirement Benefits	3,580	2,882	<b>6,462</b>
Retiree Health Benefits	2,400	1,932	<b>4,332</b>
Workers' Compensation	692	557	<b>1,249</b>
Non-Cash Workers' Compensation	(2,230)	-	<b>(2,230)</b>
Transportation	4,945	3,981	<b>8,926</b>
Other Operating Expenses	5,115	4,118	<b>9,233</b>
Net Interest	65	52	<b>117</b>
<b>Net income (loss)</b>	<b>236</b>	<b>(2,211)</b>	<b>(1,975)</b>
Operating Activities			5,116
Operating Activities: RHB accrued but not paid			4,332
Investing activities			(2,000)
Financing activities			(3,000)
<b>Cash at beginning of year</b>			<b>14,712</b>
<b>Cash at beginning of period</b>			<b>17,184</b>

# RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS **WHITEMAN** TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3

-22.0%

<<< select projected Revenue Growth % here

-20.5%

<<< select projected Expense Growth % here

	Six Months Ended March 31 2021	Forecast Rest of Year	End of Year Forecast
<b>Total Revenue</b>	40,403	31,514	<b>71,917</b>
<b>Operating Expenses</b>			
Compensation & Benefits	25,600	20,352	<b>45,952</b>
Retirement Benefits	3,580	2,846	<b>6,426</b>
Retiree Health Benefits	2,400	1,908	<b>4,308</b>
Workers' Compensation	692	550	<b>1,242</b>
Non-Cash Workers' Compensation	(2,230)	-	<b>(2,230)</b>
Transportation	4,945	3,931	<b>8,876</b>
Other Operating Expenses	5,115	4,066	<b>9,181</b>
Net Interest	65	52	<b>117</b>
<b>Net income (loss)</b>	<b>236</b>	<b>(2,191)</b>	<b>(1,955)</b>
Operating Activities			5,116
Operating Activities: RHB accrued but not paid			4,308
Investing activities			(2,000)
Financing activities			(3,000)
<b>Cash at beginning of year</b>			<b>14,712</b>
<b>Cash at beginning of period</b>			<b>17,180</b>

# RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS **WHITEMAN** TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3

## **\$9 Billion Net Loss Scenarios**

-19.0%

<<< select projected Revenue Growth % here

-1.0%

<<< select projected Expense Growth % here

	Six Months Ended March 31 2021	Forecast Rest of Year	End of Year Forecast
<b>Total Revenue</b>	40,403	32,726	<b>73,129</b>
<b>Operating Expenses</b>			
Compensation & Benefits	25,600	25,344	<b>50,944</b>
Retirement Benefits	3,580	3,544	<b>7,124</b>
Retiree Health Benefits	2,400	2,376	<b>4,776</b>
Workers' Compensation	692	685	<b>1,377</b>
Non-Cash Workers' Compensation	(2,230)	-	<b>(2,230)</b>
Transportation	4,945	4,896	<b>9,841</b>
Other Operating Expenses	5,115	5,064	<b>10,179</b>
Net Interest	65	64	<b>129</b>
<b>Net income (loss)</b>	<b>236</b>	<b>(9,247)</b>	<b>(9,011)</b>
Operating Activities			5,116
Operating Activities: RHB accrued but not paid			4,776
Investing activities			(2,000)
Financing activities			(3,000)
<b>Cash at beginning of year</b>			<b>14,712</b>
<b>Cash at beginning of period</b>			<b>10,593</b>

# **RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WHITEMAN TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 3**

**-20.0%**

<<<select projected Revenue Growth % here

**-2.0%**

<<<select projected Expense Growth % here

	Six Months Ended March 31 2021	Forecast Rest of Year	End of Year Forecast
<b>Total Revenue</b>	40,403	32,322	<b>72,725</b>
<b>Operating Expenses</b>			
Compensation & Benefits	25,600	25,088	<b>50,688</b>
Retirement Benefits	3,580	3,508	<b>7,088</b>
Retiree Health Benefits	2,400	2,352	<b>4,752</b>
Workers' Compensation	692	678	<b>1,370</b>
Non-Cash Workers' Compensation	(2,230)	-	<b>(2,230)</b>
Transportation	4,945	4,846	<b>9,791</b>
Other Operating Expenses	5,115	5,013	<b>10,128</b>
Net Interest	65	64	<b>129</b>
<b>Net income (loss)</b>	<b>236</b>	<b>(9,227)</b>	<b>(8,991)</b>

Operating Activities	5,116
Operating Activities: RHB accrued but not paid	4,752
Investing activities	(2,000)
Financing activities	(3,000)
<b>Cash at beginning of year</b>	<b>14,712</b>
<b>Cash at beginning of period</b>	<b>10,589</b>

**-22.0%**

<<<select projected Revenue Growth % here

**-4.0%**

<<<select projected Expense Growth % here

	Six Months Ended March 31 2021	Forecast Rest of Year	End of Year Forecast
<b>Total Revenue</b>	40,403	31,514	<b>71,917</b>
<b>Operating Expenses</b>			
Compensation & Benefits	25,600	24,576	<b>50,176</b>
Retirement Benefits	3,580	3,437	<b>7,017</b>
Retiree Health Benefits	2,400	2,304	<b>4,704</b>
Workers' Compensation	692	664	<b>1,356</b>
Non-Cash Workers' Compensation	(2,230)	-	<b>(2,230)</b>
Transportation	4,945	4,747	<b>9,692</b>
Other Operating Expenses	5,115	4,910	<b>10,025</b>
Net Interest	65	62	<b>127</b>
<b>Net income (loss)</b>	<b>236</b>	<b>(9,187)</b>	<b>(8,951)</b>

Operating Activities	5,116
Operating Activities: RHB accrued but not paid	4,704
Investing activities	(2,000)
Financing activities	(3,000)
<b>Cash at beginning of year</b>	<b>14,712</b>
<b>Cash at beginning of period</b>	<b>10,581</b>